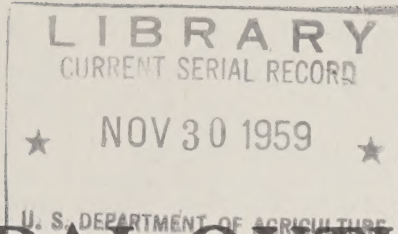


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Expanding livestock production, record equalling crop output and a growing surplus of grains dominate the price outlook for farmers in the year ahead.

Overall, the situation in 1960 is likely to be much like that of 1959. Prices to farmers will slip to a lower level...costs will edge upward...the net income realized by farm operators will decline, probably about half as much as this year. This is likely even though increasing income to a growing population will maintain a strong domestic demand and exports are likely to increase.

Meat animals will provide most of the increase expected in livestock production next year. Cattlemen added $3\frac{1}{2}$ million head to their herds last year...probably are adding 5 to 6 million this year. The herd build-up reduced marketings in 1958 and 1959, and prices rose. Next year, sales for slaughter probably will increase and prices are likely to begin a downtrend.

Hog slaughter in the first half of 1960 will continue above a year earlier, because of the increased pig crop farrowed this fall. If intentions of Corn Belt producers to reduce early farrowings are realized, the 1960 spring crop may decline slightly. Allowing for seasonal changes, hog prices are not likely to change much from this fall's level, but will average lower than a year earlier in the spring.

No great changes are in prospect for dairy and poultry output. Milk production, which has shown a slight decline the last 2 years, is likely to hold near 1959 levels. Because of fewer replacement chickens raised this year than last, egg production through next summer may fall below this year. The low prices received this year may slow down the uptrend in broiler production.

Crop marketings from this year's production will continue high well into 1960. Next year's output will depend, of course, to a considerable degree on the weather. But in view of the upward trend in yields, crop production is likely to stay large in 1960.

Production of wheat and feed grain again exceeds probable disappearance this year. Even though the 1959 wheat crop was 350 million bushels smaller than last year's record, stocks next July 1 probably will top the record of about 1.3 billion bushels on hand last July. Feed grain production, led by a record breaking corn crop, exceeds use for the eighth consecutive year, even though livestock production is increasing. Carryover next October 1 is likely to be around 80 million tons compared with the 67 million on hand as the current feeding year began.

Cotton production was up sharply this year but disappearance is expected to rise an equal amount. Exports probably about double last year's low level and some increase also is expected in domestic use. Year-end stocks probably will be near this year's level of 8.9 million bales, and well below the 1956 peak of 14½ million. Rice stocks are likely to be reduced by heavy exports even though the crop this year is up 12%. Soybean stocks are likely to be cut by a combination of reduced production, record exports and continued heavy domestic use. Reduced stocks also are likely for flue-cured and burley tobacco.

The bulk of the carryovers of storable commodities are under the price support program. Investment of the CCC in inventories and price support operations rose \$1.6 billion to \$8.6 in the last fiscal year...probably will rise further by July 1, 1960.

Demand, domestic and foreign, will be strong in 1960. Economic activity is likely to resume its uptrend after settlement of the steel strike. Consumer income will increase again and purchasing power per person next year is likely to be a record high. The volume of food sales next year will increase with a growing population eating about the same amount per person as this year.

Volume of farm exports in fiscal 1959-60 is likely to be second highest on record. Cotton will account for much of the gain, though demand also appears stronger for fats and oils, oilseeds, fruits and vegetables, rice and feeds. Government programs continue important in maintaining high exports of some commodities.

Farmers probably will receive a little less for sales of products in 1960 than this year. Lower prices for cattle and hogs and smaller marketings of wheat will be mainly responsible. Receipts from milk and eggs may be up some...little change is expected for most other commodities.

The slow advance in farm production costs is likely to continue next year. Prices farmers pay for some industrial items are likely to rise. Expenses will be up for overhead items such as taxes, depreciation and interest charges. While the cost of feed and feeder livestock--items originating on farms--may be down, total production expenses are likely to be a little higher.

Lower receipts, higher expenses are expected to reduce the realized net income of operators again in 1960. The decline is likely to be around half of that for this year when a combination of smaller receipts, a sharp reduction in Soil Bank payments and higher expenses dropped net income in the first three quarters about 15% below the same period of 1958. On the other hand, income from nonfarm sources increased this year, and is likely to go up again in 1960. In 1958, nonfarm income accounted for 28% of the total net income received by farm people.

The assets of agriculture increased further this year. As in other recent years, the rise in land values accounted for most of the gain. The value of farm real estate at mid-year was 6% higher than a year earlier, though the rate of increase has slowed considerably since March. While farm indebtedness increased further, the increase in land values was enough to result in further improvement in the net asset position of farm proprietors.